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INTELLIGENCE
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State Dept. review completed

POSSIBLE FRENCH ARMS SALE TO THE PRC

Summary

Reports from various sources indicate that the French are negotiating with the Chinese Air Force for a sale of fighter aircraft or aircraft engines and air-to-air and air-to-ground missiles.

While the reports differ as to details, the deal does appear to involve some 200 units. Such a sale would be important to the French aircraft industry, which recently lost out on the F-104 replacement. It would also significantly upgrade the Chinese Air Force's capabilities.

French behavior in connection with the earlier sale of helicopters to China suggests that Paris might go ahead with the deal in the face of possible US objections in COCOM.

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Chinese Interest in Mirages and Matra Missiles

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The

story has already surfaced in the August 16 issue of the Economist; the Economist's special publication, Foreign Report, gave further details in its July 23 and August 13 issues.

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Mutual Advantages of Deal

Specifically under negotiation are the Atar 9K-50 jet engine and, alternatively, the Mirage 50 (the Mirage 5 airframe with the newer Atar 9K-50 engine). The Chinese are interested in the 9K-50 engine by itself because they have been unable to develop a suitable powerplant for their indigenous fighter, which is still in development. They have experienced similar difficulty in the development of air-launched missiles and are seeking in the same negotiations to arrange the purchase of highly sophisticated missiles from the Matra company. These developments would be consistent with China's restructuring of its armed forces to emphasize modern technological advances. Since the PRC does not yet have any first-rate fighters or aircraft missiles in regular production, its acquisition of such weaponry from France would dramatically improve its air order of battle more quickly than would reliance on domestic resources alone.

The French aircraft industry, for its part, needs the financial lift that such a sale would provide, particularly since France lost the "sale of the century" for the next generation of NATO fighter aircraft. According to Foreign Report, the atmosphere at Dassault-Breguet, the Mirage's manufacturer, was euphoric after preliminary discussions with the Chinese.

Previous French-Chinese Arms Contacts

Chinese interest in French arms apparently dates from 1967, when the PRC ordered 15 Alouette helicopters from a French firm. But the first indication of more substantial interest did not surface until 1970, when press accounts

[redacted] suggested that the PRC wanted to obtain Mirage fighters or their attendant technology.

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Chinese interest in the Super Frelon helicopter dates from at least the summer of 1971. A sales agreement for 13 of these helicopters was concluded late in 1973. The first was delivered in May 1974, but the rest have not yet arrived (the production line had to be reopened for them).

The Chinese also approached the French in the summer of 1973 for the purchase of 750 Matra R-530 air-to-air missiles.

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In January 1974, a French press article claimed that the PRC was interested in buying 30-40 Mirage III fighters, and possibly in obtaining licensing rights for their production in China.

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Status of Talks

There is no firm evidence that military procurement was discussed during Teng's recent visit to France, but 42 French defense experts under the aegis of the Center of Advanced Studies of French Armaments arrived in Peking at about the same time that Teng left for Paris. Leading members of the French group met with the Deputy Chief of the PLA General Staff and could have laid some of the ground work for the current negotiations.

There are conflicting reports of where the current talks are being held. According to Foreign Report, the first direct contacts were made when Chinese experts visited Dassault-Breguet in July 1975. Foreign Report also said that French Government officials have not yet participated in the talks, which are still at the technical level. The clandestine sources indicate that the actual negotiations were being held in Bonn in July.

COCOM Considerations

The implications for the US of this possible arms deal arise in the context of the Coordinating Committee (COCOM), set up by NATO in 1950 to control the sale of strategic materials to Communist countries. France is still a member of COCOM. The British, who have encountered COCOM opposition to their proposal to sell Rolls Royce military jet engines to the PRC, would surely be concerned about losing this sale to the French. Strong opposition might also

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come from Japan, the only non-European member of COCOM. If the Super Frelon case is any indication, however, the French might resist COCOM objections.

The Super Frelon Issue

The French proposal to sell Super Frelon helicopters to the PRC was first raised by Foreign Minister Schumann with Secretary of State Rogers in June 1971. That August, the US formally opposed the sale on the grounds that it could make a significant military contribution to the PRC.

France raised the issue in COCOM in February 1973. The US continued its opposition to the sale because France did not obtain formal assurances from the PRC that the helicopters would be used for civilian purposes. In March 1973, the French stated that the helicopters would be used to transport workers and food supplies to civilian projects. In November 1973--the same month that the actual contract was signed--the French changed their story and stated that they would be used for civilian search and rescue.

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The US is the only member of COCOM which has still not withdrawn its opposition to the sale. In expectation of continued deliveries, Embassy Paris raised the issue again with the French Government in August 1975. The French replied that, since they had not heard any US objections since December 1973, they considered the matter closed.

Soviet Considerations

If France decides to ignore a negative COCOM decision, it would have to weigh the inevitable Soviet concern (already evidenced by the Soviet diplomat in Tokyo) that would arise over such an improvement in the PRC's military capabilities. Recent cooling of French-Soviet relations may lessen the importance of the Soviet factor, but the French might think it prudent to wait until after President Giscard's upcoming visit to the Soviet Union, scheduled for October, before making a decision to sell aircraft or engines to China.

Prepared by George Dragnich
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